

## EQUISTONE PARTNERS EUROPE LIMITED

### UK IFPR PUBLIC DISCLOSURE STATEMENT YEAR ENDING 31 DECEMBER 2022

#### Introduction

##### 1.1 Purpose

Equistone Partners Europe Limited (FRN 124366) (the "**Firm**") is authorised and regulated by the Financial Conduct Authority (the "**FCA**"). The Firm is part of the Equistone Group (the "**Group**") which is an alternative asset management group specialising in private equity investments.

This document (the "**Disclosure Statement**") sets out the information the Firm is required to disclose annually under chapter 8 of the MIFIDPRU Sourcebook in the FCA Handbook of Rules and Guidance. All information is as at the date on page 1 unless otherwise indicated.

##### 1.2 Scope

The information in this Disclosure Statement relates to the Firm on an individual or 'solo' basis and does not extend to other entities in the Equistone Group.

Unless otherwise noted, the information contained in this Disclosure Statement has not been audited by the Firm's external auditors and does not constitute any form of financial statement and should not be relied upon in making any judgment on the Firm.

## 2. GOVERNANCE ARRANGEMENTS

### 2.1 Role of the board of directors (the "Board")

The Firm is governed by its Board. The Board defines, oversees and is accountable for the implementation of governance arrangements that ensure effective and prudent management of the Firm, including the segregation of duties in the Firm and the prevention of conflicts of interest, and in a manner that promotes the integrity of the market and the interests of clients.

The Firm seeks to achieve this through several means, including:

- › obligations under the FCA Senior Managers and Certification Regime, as part of which certain senior members of staff ("**Senior Management Function-holders**") are required to be approved by the FCA and a number of other members of staff are required to be certified by the Firm as fit and proper to perform their roles;
- › legal obligations applicable to members of the Board under the Companies Act 2006;
- › policies and procedures, including in particular the Firm's compliance manual, conflicts of interest policy, remuneration policy, and its policies on personal account dealing and market conduct;
- › regulatory obligations, supported by regulatory guidelines.

## 2.2 Composition of the Governing Body

The members of the Firm's Board at 31 December 2022 are Gregoire Chatillon, Owen Clarke, Dominic Geer, Neal Griffith, Steven Whitaker, Guillaume Jacqueau, Christiian Marriott, Steve O'Hare and Sara Roberts and one of the directors has an additional directorship (excluding directorships: (i) held in organisations which do not pursue predominantly commercial objectives; or (ii) in entities within the Group or in entities in which the Firm holds a qualifying holding).

## 2.3 Diversity of the Board

The Firm is committed to promoting diversity and equal opportunities for staff throughout the Firm, including on its Board. The Firm believes that diverse and inclusive teams make better decisions, and this informs the Firm's recruitment and retention strategies, both across the organisation as a whole and at the level of its Board.

All appointments are made on merit with regard to the individual's knowledge, skills and experience and the combined knowledge, skills, experience and diversity of the Board as a whole.

## 2.4 Risk governance

The Firm has well-established risk management policies in relation to the operational risks facing the business as well as those associated with the Firm's activities. The Board is ultimately responsible for the Firm's overall risk management and for maintaining an appropriate internal control framework.

The Firm is not required to maintain a Risk Committee.

## 3. RISK MANAGEMENT OBJECTIVES AND POLICIES

### 3.1 Potential for harm associated with the Firm's business strategy

The Firm considers that the potential for harm associated with its business strategy is low. Notably, the Firm does not engage in proprietary trading, underwriting, placing, clearing or settlement activities, hold significant on balance sheet exposures, have tied agents or provide custody services or services to retail clients.

The Firm's business strategy reflects its low-risk appetite towards conduct risk; prudential risk; reputational risk; legal, compliance and regulatory risk; financial crime risk; data and cyber security risk; and sustainability risk.

The Firm is remunerated by the investment funds it manages. These fees are calculated by reference to investor commitments (during the fund's investment period) and invested capital (following the end of the fund's investment period) and are therefore a stable and predictable source of income.

### 3.2 Strategies and processes used to manage risks addressed by own funds and liquid assets requirements

#### *Basic Own Funds Requirement and Basic Liquid Assets Requirement*

The Firm is subject to a Basic Own Funds Requirement and a Basic Liquid Assets Requirement.

The Firm's Basic Own Funds Requirement is the higher of (i) a permanent minimum own funds requirement, (ii) one quarter of its preceding year's fixed overheads (its fixed overheads requirement, or "FOR") and (iii) a 'K-factor' requirement ("KFR").

The Firm's Basic Liquid Assets Requirement is the sum of one third of its FOR and 1.6% of the total amount of any guarantees provided to clients.

Details of the Firm's own funds, i.e., broadly, its long-term subordinated capital, are set out at Schedule 1. Details of the Firm's Basic Own Funds Requirement are set out at Schedule 2.

### *Overall Financial Adequacy Rule*

The Firm must at all times comply with the overall financial adequacy rule (the "OFAR"). This requirement, which supplements the Firm's Basic Own Funds Requirement and Basic Liquid Assets Requirement, requires the Firm to hold sufficient own funds and liquid assets to:

- › ensure it can remain viable throughout the economic cycle, with the ability to address any potential harm the Firm's ongoing activities might cause to its clients and counterparties, the markets in which it operates and the Firm itself; and
- › allow its business to wind-down in an orderly way, minimising harm to clients and counterparties and to other market participants.

### *The Internal Capital Adequacy and Risk Assessment*

The Firm uses an internal capital adequacy and risk assessment ("ICARA") process to identify whether it is complying with its OFAR and, if it is not, to identify what steps it should take to remedy this.

The focus of the ICARA process is on identifying and managing risks that may result in material harms to clients and counterparties, the markets in which the Firm operates and the Firm itself, measuring the effectiveness of the Firm's strategies to monitor and mitigate those harms, and determining whether additional own funds and/or liquid assets are required to mitigate any residual risks.

The FCA recognises that the risk of some material harms can be reduced through proportionate measures other than holding additional financial resources, for example implementing additional internal systems and controls, strengthening governance and oversight processes, or changing the manner in which the Firm conducts certain business.

However, for other harms identified, it may be that the only realistic option to manage them and to comply with the OFAR is for the Firm to hold additional own funds and/or additional liquid assets above its Basic Own Funds Requirement and Basic Liquid Assets Requirement.

The Firm has therefore formed a judgment about what is appropriate and proportionate in its particular circumstances, informed by its risk appetite, which is set by the Board. The Firm has determined it has sufficient own funds and no additional funds or liquid assets are required.

The Firm's ICARA document is updated annually (or more frequently, as required) by the Group's Finance, Legal and Compliance teams, with input from external advisers as required. The document and the key assumptions underlying it are then reviewed and approved by the Board.

### *Responsibilities of Senior Management Function-holders*

The Firm has a Senior Management Function-holder responsible for own funds and liquid assets compliance.

All Senior Management Function-holders recognise that the ICARA process is a key requirement of the regulatory system for the Firm and is an essential part of the Firm's internal systems and procedures for ensuring that the Firm's business is run prudently.

## **3.3 Concentration risk**

Concentration risk refers to the risks arising from the strength or extent of the Firm's relationships with, or direct exposure to, a single client or group of connected clients. The Firm has identified the following concentration risks and has put in place the following control strategies:

### *Fee income*

This is the risk that the Firm has a significant amount of its revenue concentrated in a small number of clients, leaving it exposed if it loses one or more of those clients.

The Firm's fee income is derived from a number of different funds, which it considers reduces its risk to an acceptable level.

#### *Cash deposits*

This is the risk that the Firm's cash deposits are held with a narrow range of credit institutions, leaving it exposed if one or more of them becomes insolvent.

The Firm maintains instant-access cash accounts with several credit institutions, each of which has a satisfactory credit rating according to industry standard, which it considers reduces its cash deposit risk to an acceptable level. The Firm keeps this under review.

## **4. Remuneration**

### **4.1 Remuneration governance**

The Board has overall responsibility for the Firm's remuneration policies and procedures, which are reviewed annually.

The Board has allocated responsibility for overseeing the implementation of the Firm's remuneration policy to FCA-approved Senior Management Function-holders. The Firm's remuneration policies and practices are operated on a day-to-day basis by the Finance Department with support from the Legal and Compliance Department.

### **4.2 Material Risk Takers**

The Firm's material risk takers ("MRTs") are those individuals whose professional activities have a material impact on the Firm's risk profile. During 2022, the Firm had 10 MRTs.

### **4.3 Remuneration structure**

The Firm's remuneration arrangements seek to ensure effective risk alignment between the Firm's staff, the Firm itself and the Funds managed by the Firm.

The Firm awards both fixed remuneration (typically an annual salary, together with salary-linked pension contributions and benefits such as private medical insurance) and variable remuneration (typically a form of annual bonus or variable profit share and, where applicable, the award of carried interest points).

Fixed remuneration is determined primarily by the market rate for the role performed, having regard to the skills, expertise and experience demonstrated by the particular individual.

Variable remuneration is determined by reference to the performance of the individual, the performance of the individual's team, and the performance of the Firm as a whole. Different categories of variable remuneration are available to different types of staff, for example staff who are members of the Firm are entitled to receive a variable annual profit share whilst staff who are not members of the Firm are typically eligible to receive an annual performance bonus. Eligibility for certain types of variable remuneration is also linked to positions held within the Firm.

The Board determines the total available pool of variable remuneration by reference to the Firm's financial performance at Firm level, taking into account the Firm's regulatory capital and liquidity requirements, future working capital needs and any reasonably foreseeable liabilities or obligations. Individual performance is assessed by reference to both financial and non-financial criteria, including whether an individual has adhered to the Firm's internal compliance policies and procedures and demonstrated behaviours consistent with the Firm's corporate values.

The Firm does not typically offer non-standard forms of variable remuneration.

#### 4.4 Risk adjustment

The Firm's variable remuneration arrangements are fully discretionary, and the Firm is able to apply in-year adjustments to reduce (including to zero) the amount of variable remuneration that would otherwise have been paid to any member of staff (including MRTs).

Variable remuneration awarded to MRTs is subject to additional adjustments. In specific circumstances where an MRT has (i) participated in or been responsible for conduct which has resulted in significant losses to the Firm and/or (ii) failed to meet appropriate standards of fitness and propriety, the Firm may take one or more additional measures including malus (reducing the amount of variable remuneration awarded to an MRT) and/or clawback (requiring the MRT to make a payment to the Firm equal to all or some variable remuneration received within a specified time period).

The Firm ensures that any payments to MRTs relating to the early termination of an employment contract reflect the individual's performance over time and do not reward failure or misconduct.

The Firm maintains policies and procedures governing its approach to risk adjustments and severance payments, including how the Firm takes into account current and future risks when adjusting remuneration.

#### 4.5 Quantitative disclosures

Total remuneration to <u>all</u> staff		Severance payments made to MRTs		Guaranteed variable remuneration awarded to MRTs	
Total fixed remuneration	(EUR million)	Total payments made	(EUR million)	Total payments made	(EUR million)
Senior management	4.0	Senior management	-	Senior management	-
Other MRTs	-	Other MRTs	-	Other MRTs	-
Other staff	9.4	<b>TOTAL</b>	-	<b>TOTAL</b>	-
<b>SUB-TOTAL</b>	<b>13.4</b>	<b>Amount of highest severance payment awarded</b>	-		
Total variable remuneration	(EUR million)	Awards of severance payments made	No. of MRTs	Awards of guaranteed variable remuneration made	No. of MRTs
Senior management	3.2	Senior management	-	Senior management	-
Other MRTs	-	Other MRTs	-	Other MRTs	-
Other staff	8.1				
<b>SUB-TOTAL</b>	<b>11.3</b>				
<b>GRAND TOTAL</b>	<b>24.7</b>				

## SCHEDULE 1 OWN FUNDS

Composition of regulatory own funds			
	Item	Amount (GBP thousands)	Source
	<b>COMMON EQUITY TIER 1 CAPITAL</b>		
	Fully paid-up capital instruments	10	2022 audited financial statements
	Retained earnings	25,788	2022 audited financial statements
	Other reserves	(220)	2022 audited financial statements

## SCHEDULE 2 BASIC OWN FUNDS REQUIREMENTS

	Category of requirement	Amount (GBP thousands)
<b>1</b>	<b>PERMANENT MINIMUM REQUIREMENT</b>	75
<b>2</b>	<b>FIXED OVERHEADS REQUIREMENT</b>	5,620
<b>3</b>	<b>K-FACTOR REQUIREMENT</b>	-
<b>A</b>	Sum of the Firm's: <ul style="list-style-type: none"> <li>› K-AUM (assets under management);</li> <li>› K-CMH (client money held); and</li> <li>› K-ASA (client assets safeguarded and administered) requirements</li> </ul>	-
<b>B</b>	Sum of the Firm's: <ul style="list-style-type: none"> <li>› K-COH (client orders handled); and</li> <li>› K-DTF (daily trading flow) requirements</li> </ul>	-
<b>C</b>	Sum of the Firm's: <ul style="list-style-type: none"> <li>› K-NPR (net position risk);</li> <li>› K-CMG (clearing margin given);</li> <li>› K-TCD (trading counterparty default); and</li> <li>› K-CON (concentration risk) requirements</li> </ul>	-
	<b>BASIC OWN FUNDS REQUIREMENT (HIGHEST OF ROWS 1-3)</b>	5,620

September 2023